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cc to mmw
(mpt)

Frontier
INSURANCE COMPANY IN REHABILITATION

to: Dept of Natural Resources, Division of Oil, Gas & Mining
Attn: Lowell P Braxton, Director

fax #: 801-359-3940

from: Andrea Ammendola, Associate Surety Underwriter

fax #: 845-807-4901

phone #: 845-807-5129

re: White Oak Mining & Construction Co dba Horizon Mining / Bond #125421
Bond Release

date: May 11, 2004

pages: 7, including cover sheet

SECOND NOTICE

6/16/04

Copy of OK
6/07/0007
Copy Pam

RECEIVED

JUN 16 2004

DIV. OF OIL, GAS & MINING



195 Lake Louise Marie Road
Rock Hill, New York 12775-8000
(800) 836-2100 / (845) 796-2100

May 11, 2004

State of Utah, Division of Oil, Gas & Mining
and the Office of Surface Mining
P.O. Box 145801
Salt Lake City, UT 84114-5801

RE: Principal: White Oak Mining & Construction Co / Horizon Mining
Bond No.: 125421
Description: Surety Bond (Federal Coal)

Dear Sir/Madam:

We, as surety for the above captioned, have been advised that our bond has been replaced by **Lodestar Energy, Inc.**, Permit # **ACT/007/001** effective **July 9, 1999**.

As a result, we hereby respectfully request the release of our bond effective July 9, 1999.

Please acknowledge this release by signing in the space provided below and returning same in the enclosed self-addressed, postage paid envelope.

RELEASE APPROVED: Effective July 9, 1999

By: _____
Title: _____
Date: _____

If your office is not agreeable to releasing Frontier's bond at this time, please sign and date in the space provided and return to us for our records.

RELEASE DECLINED:

By: _____
Title: _____
Date: _____

Your response to this inquiry is greatly appreciated. Thanking you in advance for your time and consideration regarding this matter.

If you have any questions please contact Tammy King at ext. 5091.

Sincerely,


Sharon A. Maralia
Surety Underwriting Division

cc: White Oak Mining & Construction Co
Smith-Manus

RECLAMATION AGREEMENT

Exhibit "B" - SURETY BOND

Permit Number: ACT/007/001

SURETY BOND
(FEDERAL COAL)

COPY

THIS SURETY BOND entered into and by and between the undersigned **PERMITTEE**, and **SURETY COMPANY**, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors, and assigns unto the State of Utah, Division of Oil, Gas & Mining (**DIVISION**), and the U.S. Department of Interior, Office of Surface Mining Reclamation and Enforcement (**OSM**) in the penal sum of \$4,292,000 (**Surety Bond Amount**) for the timely performance of reclamation responsibilities of the surface disturbance described in Exhibit "A" of this **RECLAMATION AGREEMENT**.

This **SURETY BOND** shall remain in effect until all of the **PERMITTEE's** reclamation obligation have been met and released by the **DIVISION** and is conditioned upon faithful performance of all of the requirement of the Act, the applicable rules and regulations, **SMCRA**, the approved permit, and the **DIVISION**.

The **SURETY** will not cancel this bond at any time for any reason, including non-payment of premium or bankruptcy of the **Principal** during the period of liability.

The **SURETY** and their successors and assigns, agree to guarantee the obligation and to indemnify, defend, and hold harmless the **DIVISION** and **OSM** from any and all expenses which the **DIVISION** and **OSM** may sustain as a result of the **PERMITTEE's** failure to comply with the condition(s) of the reclamation obligation.

The **SURETY** will give prompt notice to the **PERMITTEE** and to the **DIVISION** and **OSM** of any notice received or action alleging to insolvency or bankruptcy of the **SURETY**, or alleging any violations or regulatory requirement which could result in suspension or revocation of the **SURETY's** license.

Terms for release or adjustment of this **BOND** are as written and agreed to by the **DIVISION** and the **PERMITTEE** in the **RECLAMATION AGREEMENT** incorporated by reference herein, to which this **SURETY AGREEMENT** has been attached as Exhibit "B".

RECLAMATION AGREEMENT

Exhibit "B" - SURETY BOND

IN WITNESS WHEREOF, the PERMITTEE has hereto set it's signature this 25th
day of July 19 99

LODESTAR ENERGY, INC.
PERMITTEE

By: R. Eberles Davis

Title: Vice President &
Assistant Secretary

IN WITNESS WHEREOF, the SURETY has hereto set it's signature this
9th day of July 19 99

Fronnier Insurance Company
SURETY

By: Dawn L. Morgan
Title: Attorney-in-Fact

ACCEPTED BY THE STATE OF UTAH:

Lowell P. Braxton, Director
Division of Oil, Gas & Mining

Mary Ann Wright Training

NOTE:

An Affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Agreement. If the PERMITTEE is a corporation, the Agreement shall be executed by it's duly authorized officer.

RECLAMATION AGREEMENT

AFFIDAVIT OF QUALIFICATION
SURETY COMPANY

-000000-

I, Dawn L. Morgan, being first duly sworn under oath, deposes and say that he/she is the (officer or agent) Attorney-in-Fact of Frontier Insurance Company; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said SURETY COMPANY is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

Dawn L. Morgan
[NAME- POSITION]

Dawn L. Morgan - Attorney-in-Fact

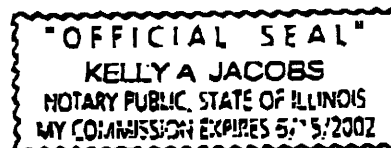
Subscribed and sworn to before me this 9th day of July, 19 99.

COPY

Kelly A. Jacobs
NOTARY PUBLIC

My Commission Expires:

June 15, 12 2002



Attest:

STATE OF Illinois)
COUNTY OF Cook)

SS:



July 16, 1999

Via Overnight Delivery

Lowell P. Braxton, Director
Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Temple, Suit 1210
Salt Lake City, Utah 84114-5801

Re: Permit Transfers, White Oak Mining and Construction, Inc. to Lodestar Energy, Inc. White Oak #1 and #2 Mines, ACT/007/001, and Horizon Mining, LLC to Lodestar Energy, Inc. Horizon Mine, ACT/007/020, Folder #3, Carbon County, Utah

Dear Mr. Braxton:

Thank you for your letter of July 14th concerning the transfer of the above referenced permits, with the decision documents enclosed.

Enclosed you will find one copy of each permit signed on behalf of Lodestar Energy, Inc. Additionally, we will submit the revised legal and financial information requested by August 13, 1999.

We appreciate the cooperation shown by you and your department in this transfer process. Please always feel free to contact me if you have questions or need information.

Very truly yours,

R. Eberley Davis
Vice President & General Counsel

RED:cgs

cc: Dave Miller, Lodestar (w/enclosures)
Mike Malmquist, Parsons Behle & Latimer (w/enclosures)

Lodestar Energy, Inc.
333 West Vine Street, Suite 1700 • Lexington, Kentucky 40507-1628
tel. 606/255-4006 • fax. 606/255-0330



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

1534 West North Temple, Suite 1210

PO Box 1452801

Salt Lake City, Utah 84114-52801

801-538-5340

801-358-3840 (Fax)

801-538-7223 (TDD)

July 14, 1999

R. Eberley Davis, Vice President
Lodestar Energy, Inc.
333 West Vine Street, Suite 1700
Lexington, Kentucky 40507-1628

Re: Permit Transfers, White Oak Mining and Construction, Inc. to Lodestar Energy, Inc.,
White Oak #1 and #2 Mines, ACT/007/001, and Horizon Mining, LLC to Lodestar
Energy, Inc. Horizon Mine, ACT/007/020, Folder #3, Carbon County, Utah

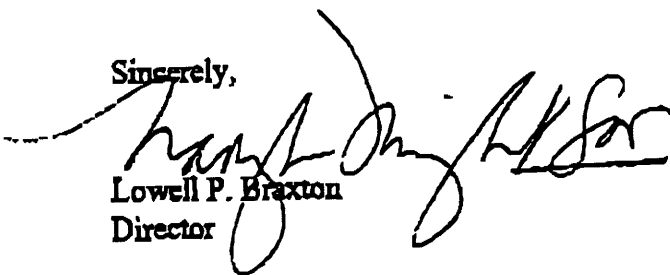
Dear Mr. Davis:

The permit transfers for the White Oak #1 and #2 Mines and Horizon Mine are approved (the decision documents associated with these permitting actions are attached.) Please read the permits and associated conditions of the permits and if you have any questions please let us know. Please sign both copies of each permit and return one of each to the Division.

Additionally, please submit the revised legal and financial information for both the White Oak #1 and #2 Mines and Horizon Mine to update the mining and reclamation plans by August 13, 1999.

We look forward to working with you and your company. Please feel free to call me or my staff anytime.

Sincerely,


Lowell P. Braxton
Director

lm

Enclosure

cc:

Jim Fulton, OSM, WRCC

Debbie Dragoon, Snell and Wilmer, w/o enclosure

Vicky Miller, EarthFax Engineering, w/o enclosure

O:\007001.WO\FINAL PERMIT\TRNSLTR9.WPD